

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04
CEA-01 L-03 H-01 PA-01 PRS-01 /086 W
-----120282 130620Z /15

R 121122Z AUG 77
FM AMEMBASSY VIENNA
TO SECSTATE WASHDC 2910
INFO AMEMBASSY BONN
AMEMBASSY PARIS

C O N F I D E N T I A L VIENNA 7345

USOECD

EO 11652: GDS
TAGS: EFIN, AU
SUBJECT: KREISKY COMMENTS ON THE HARD SCHILLING

REF: A. VIENNA 6800, B. VIENNA 2215

1. ALTHOUGH THE GOA'S "HARD SCHILLING POLICY" HAS BEEN STRONGLY CHALLENGED BY MANY OUTSIDE THE GOVERNING SOCIALIST PARTY, WE ARE NOT AWARE OF EARLIER PUBLIC BREAKS IN THE PARTY LINE. THE HARD SCHILLING, IN FACT, HAS BECOME ONE OF THE PRINCIPAL PILLARS OF OVERALL GOA POLICY. THE PARTY LINE FRAYED SOMEWHAT-AND FROM AN UNEXPECTED SOURCE--EARLIER THIS WEEK WHEN VACATIONING CHANCELLOR KREISKY TOLD A NEWSPAPER REPORTER THAT "WE MUST BE MORE FLEXIBLE WITH THE SCHILLING". THE CHANCELLOR'S COMMENT, WHICH HAS NOT BEEN DENIED, AND, IN FACT, WAS RE-QUOTED IN THE PARTY NEWSPAPER, RAISED IMMEDIATE RESPONSES FROM HARD SCHILLING DEFENDERS AT WORK OR PLAY THROUGHOUT AUSTRIA. ALTHOUGH THESE COMMENTS RANGE FROM STRONG CONTRADICTIONS TO CHARGES OF MISINTERPRETATION THE VICE CHANCELLOR/FINANCE
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MINISTER AND THE CENTAL BANK DIRECTOR GENERAL REGISTERED THEIR DISAGREEMENT QUITE CLEARLY. OPPOSITION PARTY SPOKESMEN WERE QUICK TO SEEK ADVANTAGE FROM DISSENSION WITHIN THE SPO.

2. WE CAN ONLY SPECULATE AS TO WHAT MIGHT HAVE PROMPTED THE CHANCELLOR'S ESSENTIALLY UNSOLICITED REMARK, ALTHOUGH

THERE HAS BEEN SOME INDICATION THAT EXPORTER COMPLAINTS AGAINST THE HARD SCHILLING ARE BEGINNING TO LEAVE A MARK. REGARDLESS OF ANY REASON, HOWEVER THE ONLY AFFECTS SO FAR HAVE BEEN POLITICAL; THE VIENNA FOREIGN EXCHANGE MARKET HAS SHOWN NO MEANINGFUL CHANGE. PERHAPS THE CHANCELLOR WAS SAYING THAT IF THE D MARK SHOULD AGAIN RISE VIS-A-VIS OTHER MAJOR CURRENCIES (WHICH A NUMBR OF OUR CONTACTS ARE PREDICTING), THE AUSTRIAN SCHILLING WOULD NO LONGER FOLLOW IN LOCK STEP, BUT RATHER WOULD MAKE ONLY A PARTIAL MOVE; THIS CLEARLY WOULD BE A "MORE FLEXIBLE SCHILLING". IN ANY CASE THIS IS THE PREVAILING EXPECTATION HERE. BORG

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Message Attributes

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